

Texas Department of Banking

Rec'd 6/10 10:59 AM
JAG

Catherine A. Ghiglieri
Commissioner

June 3, 1997

Mr. John P. Galligan
Director, Card Technology Division
Financial Management Service
U.S. Department of the Treasury
Room 526, Liberty Center
401 14th Street, S.W.
Washington, D.C. 20227

Re: Proposed 31 CFR Part 207; RIN 1510-AA59

Dear Mr. Galligan:

Thank you for the opportunity to comment on the proposed 31 CFR Part 207 relating to the selection of financial institutions as financial agents for the electronic disbursement of federal payments.

Since 1992, Citibank, N.A. has operated a direct payment electronic card program in Texas to unbanked recipients. While such a service may save taxpayers money and protect consumers from problems with paper checks, we have found that inserts included with social security checks to Texas residents did not identify the significant costs associated with the use of the service. I have enclosed correspondence sent to Shirley Chater, Commissioner, Social Security Administration, and her response regarding the Texas pilot program.

The proposed rule does not include the customer service duties of the financial institution that is designated as Financial Agent. Instead, these duties will be described in either the Invitation for Expression of Interest or in the Financial Agency Agreement between the Treasury Department and the Financial Agent. Neither of these methods will be subject to the same public scrutiny as a regulation. In light of the concern that unbanked recipients of federal benefits do not incur significant fees, the customer service duties should be included in the proposed regulation. Customer service duties should include accurate disclosure of all fees charged in connection with the account. Additionally, the Financial Agent should provide periodic information to all unbanked recipients to promote the establishment of a direct deposit account with a local financial institution.

It appears that, although several types of financial institutions qualify as financial agents, the proposed regulation contemplates the designation of only one Financial Agent to serve the entire country. The definition of "eligible financial institution" should require that the institution be

207.001

Mr. John P. Galligan

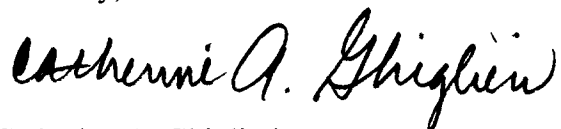
June 3, 1997

Page 2

located in the same state as the unbanked recipient to maximize convenience and reduce fees to the consumer.

Thank you for the opportunity to comment on the application.

Sincerely,



Catherine A. Ghiglieri
Commissioner

CAG:DAJ:gdb

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cc: Senator Alfonse M. D'Amato
Senator Phil Gramm
Honorable Henry B. Gonzalez
Honorable Ken Bentsen
Honorable Ron Paul
Conference of State Bank Supervisors
Texas Office of State-Federal Relations
Independent Bankers Association of Texas
Texas Bankers Association